Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

Quarterly Financial Report
For the quarter ended June 30, 2013

Canada

AGRICULTURE AND AGRI-FOOD CANADA

Statement outlining results, risks and significant changes in operations, personnel and programs

Introduction

Agriculture and Agri-Food Canada's Quarterly Financial Report (QFR) should be read in conjunction with the Main Estimates for the current year, Supplementary Estimates (A) as well as Canada's Economic Action Plan 2013 (Budget 2013). This report has been prepared by management as required by section 65.1 of the ***Financial Administration Act*** and in the form and manner prescribed by the Treasury Board. As such, it also has not been subject to an external audit or review.

Detailed information on Agriculture and Agri-Food Canada (AAFC)'s program activities can be found in the Report on Plans and Priorities.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Department's spending authorities granted by Parliament and those used by the Department consistent with the Main Estimates for the 2013-2014 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1 preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, after the tabling of the Main Estimates on February 28, 2012. As a

result the measures announced in the Budget 2012 could not be reflected in the 2012-13 Main Estimates.

In fiscal year 2012-2013, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In 2013-2014, the changes to departmental authorities linked to Budget 2012 were reflected in the 2013-2014 Main Estimates tabled in Parliament.

The Department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

April 1, 2013, marked the start of *Growing Forward 2* (GF2), the new five year agricultural and agri-food policy framework. *GF2* intends to achieve a profitable, sustainable, competitive and innovative agriculture, agri-food and agri-products industry.

Additionally, AAFC is undergoing transformational change to ensure we are well positioned to continue to deliver excellence in policy development and advice, program delivery, global export growth and scientific expertise to Canada's agricultural sector.

At the end of the first quarter of 2013-2014, AAFC had total funding available for use of $2,466.1 million as detailed in Table 1. This amount includes the 2013-2014 Main Estimates, Supplementary Estimates (A), and $4.3 million related to proceeds collected from the sale of Crown assets, but does not reflect measures announced in Budget 2013. This amount reflects a decrease of $109.2 million (4%) in total compared to AAFC's total authorities at the same time in fiscal year 2012-2013.

Vote 1 Net Operating authorities as at June 30, 2013 totalled $639.6 million, a decrease of $20.3 million from the June 30, 2012, amount of $659.9 million. This reduction is primarily due to the winding down of the Agricultural Flexibility Program in 2013-2014 and the ending of the Agricultural Innovation Program in 2012-2013.

Vote 5 Capital authorities at the end of the first quarter of 2013-2014 totalled $27.9 million which were relatively unchanged from those at the end of the same quarter in 2012-2013 of $26.7 million.

Vote 10 Grants and Contributions authority available for use as of June 30, 2013, of $446.9 million reflects a net increase of $20.8 million from $426.1 million at the same time in 2012-2013. There were increases due to the Canadian Wheat Board's Transition Costs Program,

as well as the new *Growing Forward 2* policy framework which represents a 50% increase for federal, provincial and territorial cost-shared programming from the previous *Growing Forward* framework. The large increases in these programs offset reductions in funding as a result of programs which have ended, including the Specified Risk Material Innovation Program, the Agricultural Innovation Program and the ecoAgriculture Biofuels Capital Initiative, and a decrease of funding in the AgriFlexibility Program which is now in its final year.

Budgetary Statutory authorities available as at June 30, 2013, were $1,351.7 million, a decrease of $110.9 million from the June 30, 2012, amount of $1,462.6 million. This decrease is a result of a transformative shift in the delivery of BRM programming to help ensure that farmers remain protected against severe market volatility and disasters, while allowing governments to direct resources towards promoting innovation and market development. This, in combination with higher commodity prices driven by increasing grain prices has resulted in an overall reduction of the forecast requirement for statutory grants and contributions under BRM programming.

Table 1: Authorities Available for Use (In thousands of dollars) (1)

Authorities	2013-14	2012-13	Variances	%
Vote 1 - Net Operating expenditures	639,591	659,880	(20,289)	(3%)
Vote 5 - Capital expenditures	27,872	26,747	1,125	4%
Vote 10 - Grants and contributions	446,925	426,075	20,850	5%
Budgetary statutory authorities	1,351,699	1,462,570	(110,871)	(8%)
TOTAL AUTHORITIES	**2,466,087**	**2,575,273**	**(109,186)**	**(4%)**

Note:
(1) Totals may not add due to rounding.

As detailed in Table 2, at the end of the first quarter of 2013-2014, the Department had spent $230.2 million (9% of the total funding available for use), compared to $204.6 million for the same period in fiscal year 2012-2013 (8% of the budget). The net increase of $25.5 million (12%) is primarily related to increased payments under the statutory AgriInvest Program.

Vote 1, Net Operating expenditures at the end of the first quarter were $140.8 million or 22% of the total available for use of $639.6 million, which is $3.6 million higher than the same period last fiscal year ($137.2 million, 21%). The increase in net expenditure is primarily a result of lower revenue netted against expenditures compared to the same quarter in 2012-2013 largely attributable to the timing of the revenue processing from the Community Pastures Program.

Vote 5 Capital expenditures at the end of the first quarter were $1.4 million or 5% of the total available for use of $27.9 million. This is relatively unchanged from the same period last fiscal year ($1.6 million or 6% of the budget of $26.7 million).

Vote 10 Grants and Contributions expenditures at the end of the first quarter of 2013-2014 were $19.8 million or 4% of the total available for use of $446.9 million which is comparable to the previous year's spending of $17.2 million or 4% of the total available for use of $426.1 million. Previous years' Vote 10 expenditures for the first quarter represented 5% of the Vote 10 authorities in 2011-2012, and 4% in 2010-2011, as historically much of the Department's Grants and Contributions expenditures are recorded closer to year-end when provinces make their claims based on actual expenditures.

Budgetary Statutory Authorities expenditures at the end of the first quarter of 2013-2014 were $68.2 million compared to $48.6 million for the same period of the previous year. The $19.6 million (40%) increase in spending is mainly related to an increase in expenditures recorded under the AgriInvest Program in 2013-2014 which is due to a change in the timing for recognition of expenditures under this program following the adoption of the new Public Sector Accounting Standard 3410 for Transfer Payments. Additionally, there are lower payments in connection with the AgriInsurance Program compared to 2012-2013 due to timing of administration and claims payments. See further details on these budgetary statutory authorities in Appendix A.

Table 2: Expenditures (In thousands of dollars) (1)

Expenditures	2013-14	2012-13	Variances	%
Vote 1 - Net Operating expenditures	140,792	137,223	3,569	3%
Vote 5 - Capital expenditures	1,431	1,637	(206)	(13%)
Vote 10 - Grants and contributions	19,755	17,159	2,596	15%
Budgetary statutory authorities	68,198	48,608	19,590	40%
Total Expenditures	**230,176**	**204,627**	**25,549**	**12%**

Note:
(1) Totals may not add due to rounding.

Table 3 presents Budgetary Expenditures by Standard Object. The main variance in expenditures between 2013-2014 and 2012-2013 by standard object is in Transfer Payments, with an increase of $22.3 million or 47%, of which the majority is related to the statutory expenditure increase noted above for AgriInvest. For the other standard objects, variances from Quarter 1 of 2012-13 reflect timing of payments rather than significant changes in spending patterns.

AAFC has total Revenue Spending authority of up to $66.3 million for 2013-2014. The revenue is generated from collaborative research agreements between AAFC and third parties, the grazing and breeding activities of the Community Pastures Program, the administration of the AgriStability Program, as well as recoveries for costs related to Internal Support Services provided to other departments. The Department has generated $6.5 million of revenues up to the end of the first quarter of 2013-2014 compared to $11.2 million for the same period last year. The revenue decrease of $4.7 million is in part due to timing of revenues for the Community Pastures program and in part a result of delays in revenue generation on agreements with the private sector related to Growing Forward 2 Programs.

Table 3: Budgetary Expenditures by Standard Object (In thousands of dollars) (1)

Expenditures	2013-14	2012-13	Variances	%
Personnel	134,877	135,585	(708)	(1%)
Transportation and communications	2,255	2,900	(645)	(22%)
Information	658	747	(89)	(12%)
Professional and special services	14,485	14,578	(93)	(1%)
Rentals	386	651	(265)	(41%)
Repairs and maintenance	2,291	4,735	(2,444)	(52%)
Utilities, materials and supplies	5,725	6,721	(996)	(15%)
Acquisition of land, buildings and works	760	139	621	447%
Acquisition of machinery and equipment	3,572	1,689	1,883	111%
Transfer payments	69,713	47,457	22,256	47%
Other subsidies and payments	1,987	598	1,389	232%
Total Gross Budgetary Expenditures	**236,709**	**215,800**	**20,909**	**10%**
Less: Revenues netted against expenditures	6,533	11,173	(4,640)	(42%)
Total Net Budgetary Expenditures	**230,176**	**204,627**	**25,549**	**12%**

Note:
(1) Totals may not add due to rounding.

Risks and Uncertainties

AAFC is adjusting its operations to respect actual funding levels going forward. There are several factors that are impacting the level of resources available to run the operations of the Department. These include the ending of some large programs and initiatives, and an emphasis in *Growing Forward 2* (GF2) on funding the industry to adapt, innovate and compete more effectively in domestic and global markets.

In May 2013, AAFC implemented changes fully consistent with its transformation agenda and identified efficiencies to allow it to operate within a reduced budget envelope and with fewer full-time equivalents (FTEs) in future years.

In line with the transformation initiatives already underway, those changes include: adjusting the way we deliver internal services to find further efficiencies; reducing management layers and streamlining functions within the organization; focusing what we do on the global stage to generate market growth; and consolidating expertise to focus our science and research on the highest priorities for the sector's success.

Significant changes in relation to operations, personnel and programs

Mr. Pierre Corriveau, Assistant Deputy Minister, Corporate Management Branch took on the leadership of the merged Corporate Management and Human Resources Branches, effective April 8, 2013.

Mr. Timothy Sargent was appointed to the position of Associate Deputy Minister, effective April 29, 2013.

Ms. Manon Brassard was appointed to the position of Assistant Deputy Minister, Programs Branch, effective May 21, 2013.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

AAFC will achieve annual savings of $253.2[1] million by fiscal year 2014-2015 by realigning its business in the following ways:

[1] The achieved annual savings of $253.2 million by 2014-2015 is the total savings of $252.8 million for AAFC, as well as $0.1 million for the Canada Agriculture Review Tribunal (CART) and $0.3 million for Farm Products Council of Canada (FPCC).

- Advancing our service excellence agenda, by consolidating all programs into a single programs branch.
- Establishing a new science and technology branch by putting together our research, science and environmental efforts, to better facilitate innovation, technology transfer and adoption.
- Achieving greater policy integration across the Department to improve our advice and analysis.
- Aligning programs and services to meet priorities.
- Increasing shared services across the agriculture portfolio by consolidating some corporate services with the Canadian Food Inspection Agency.
- Continuing to look at ways with our provincial and territorial partners to improve farm income programming.

This approach builds on steps already taken by AAFC to become a smaller department. It will position AAFC to meet its future goals and priorities while contributing to the government's return to a balanced budget.

In 2012-2013, the first year of Budget 2012 implementation, AAFC achieved its targeted savings of approximately $15.0 million by focussing on reducing program costs. In 2013-2014, AAFC will achieve savings of $158.5 million by continuing to organize its work to enable more effective and efficient program and service delivery. FTE reduction targets were established over a two-year period and AAFC is well placed to meet the target of 617 FTEs established for 2014-2015. Savings are being phased in to achieve the full annual savings of $253.2 million by 2014-2015. The impacts on departmental expenditures resulting from Budget 2012 will be reflected in future quarterly reports.

Approval by Senior Officials
Approved by:

Suzanne Vinet, Deputy Head

Pierre Corriveau, Chief Financial Officer

Ottawa, Canada

August , 2013

15

AGRICULTURE AND AGRI-FOOD CANADA
Statement of Authorities *(unaudited)*
For the quarter ended June 30, 2013
(In thousands of dollars)

	Fiscal year 2013-2014 [1]			Fiscal year 2012-2013 [1]		
	Total available for use for the year ending March 31, 2014 [2]	Used during the quarter ended June 30, 2013	Year to date used at quarter-end	Total available for use for the year ended March 31, 2013 [2]	Used during the quarter ended June 30, 2012	Year to date used at quarter-end
Vote 1 - Net Operating expenditures	$ 639,591	$ 140,792	$ 140,792	$ 659,880	$ 137,223	$ 137,223
Vote 5 - Capital expenditures	27,872	1,431	1,431	26,747	1,637	1,637
Vote 10 - Grants and contributions	446,925	19,755	19,755	426,075	17,159	17,159
Budgetary statutory authorities [3]	1,351,699	68,198	68,198	1,462,570	48,608	48,608
Total Budgetary authorities	2,466,087	230,176	230,176	2,575,273	204,627	204,627
Total authorities	$ 2,466,087	$ 230,176	$ 230,176	$ 2,575,273	$ 204,627	$ 204,627

Notes:

(1) Totals may not add due to rounding.
(2) Includes only Authorities available for use and granted by Parliament at quarter-end.
(3) Details on Budgetary statutory authorities are included in Appendix A.

AGRICULTURE AND AGRI-FOOD CANADA

Deparmental budgetary expenditures by Standard Object *(unaudited)*

For the quarter ended June 30, 2013

(*In thousands of dollars*)

	Fiscal year 2013-2014 (1)			Fiscal year 2012-2013 (1)		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30 , 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Expenditures:						
Personnel	$ 552,291	$ 134,877	$ 134,877	$ 543,645	$ 135,585	$ 135,585
Transportation and communications	22,835	2,255	2,255	31,502	2,900	2,900
Information	7,799	658	658	6,247	747	747
Professional and special services	117,498	14,485	14,485	132,085	14,578	14,578
Rentals	4,581	386	386	5,013	651	651
Repair and maintenance	25,910	2,291	2,291	31,990	4,735	4,735
Utilities, materials and supplies	48,517	5,725	5,725	46,776	6,721	6,721
Acquisition of land, buildings and works	4,646	760	760	4,318	139	139
Acquisition of machinery and equipment	23,226	3,572	3,572	22,458	1,689	1,689
Transfer payments	1,712,871	69,713	69,713	1,809,991	47,457	47,457
Other subsidies and payments	12,184	1,987	1,987	11,487	598	598
Total gross budgetary expenditures	2,532,358	236,709	236,709	2,645,514	215,800	215,800
Less Revenues netted against expenditures:						
Vote-netted revenues	66,271	6,533	6,533	70,241	11,173	11,173
Total Revenues netted against expenditures	66,271	6,533	6,533	70,241	11,173	11,173
Total net budgetary expenditures	$ 2,466,087	$ 230,176	$ 230,176	$ 2,575,273	$ 204,627	$ 204,627

Note:

(1) Totals may not add due to rounding.

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2013

(In thousands of dollars)

APPENDIX A

	Fiscal year 2013-2014 [1]			Fiscal year 2012-2013 [1]		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Contributions to employee benefit plans	$ 81,836	$ 19,158	$ 19,158	$ 75,462	$ 18,866	$ 18,866
Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board - Salary and motor car allowance	79	20	20	78	19	19
Contribution payments for the AgriStability program	219,300	(8,619)	(8,619)	500,000	(6,969)	(6,969)
Contribution payments for the AgriInsurance program	640,800	6,213	6,213	410,000	19,500	19,500
Grant payments for the AgriInvest program	126,200	39,404	39,404	131,400	(429)	(429)
Payments in connection with the *Agricultural Marketing Programs Act* (S.C., 1997, c. C-34)	94,000	13,895	13,895	94,000	17,218	17,218
Grant payments for the AgriStability program	41,000	(2,211)	(2,211)	90,000	1,288	1,288
Contribution payments for the AgriInvest program	17,500	1,612	1,612	29,000	-	-
Loan guarantees under the *Canadian Agricultural Loans Act*	13,111	(7)	(7)	13,111	99	99
Canadian Cattlemen's Association Legacy Fund	2,500	-	-	5,000	-	-

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2013

(*In thousands of dollars*)

APPENDIX A

	Fiscal year 2013-2014[1]			Fiscal year 2012-2013[1]		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Contributions in support of the Assistance to the Pork Industry Initiative	635	-	-	405	-	-
Grants to agencies established under the *Farm Products Agencies Act* (R.S.C., 1985, c. F-4)	100	-	-	200	-	-
Contribution payments for the Agricultural Disaster Relief Program (ADRP)/AgriRecovery	110,800	46	46	110,800	(16)	(16)
Canadian Pari-Mutuel Agency Revolving Fund	(421)	(1,215)	(1,215)	(48)	(1,098)	(1,098)
Spending of Amounts Equivalent to Proceeds from Disposal of Surplus Moveable Crown Assets	4,260	273	273	3,163	485	485
Grant payments for the AgriInvest Kickstart program	-	(3)	(3)	-	(9)	(9)
Contribution payments for the AgriInvest Kickstart program	-	-	-	-	(10)	(10)
Refunds of amounts credited to revenues in previous years	-	4	4	-	38	38
Contributions for agricultural risk management - Enhanced Spring Credit Advance program Business Risk Management	-	(197)	(197)	-	(213)	(213)
Class grant payments for the Transitional Industry Support program	-	(1)	(1)	-	(8)	(8)

AGRICULTURE AND AGRI-FOOD CANADA

Budgetary Statutory Authorities Breakdown *(unaudited)*

For the quarter ended June 30, 2013

(In thousands of dollars)

APPENDIX A

	Fiscal year 2013-2014 (1)			Fiscal year 2012-2013 (1)		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended June 30, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end
Class grant payments for the Farm Income program	-	(2)	(2)	-	(1)	(1)
Grant payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(59)	(59)	-	(101)	(101)
Contribution payments for the Canadian Agricultural Income Stabilization program Inventory Transition Initiative	-	(107)	(107)	-	(26)	(26)
Contributions in support of the Grain and Oilseed Payment program.	-	-	-	-	(15)	(15)
Grants in support of the Grain and Oilseed Payment program	-	(6)	(6)	-	(10)	(10)
Budgetary statutory authorities	$ 1,351,699	$ 68,198	$ 68,198	$ 1,462,570	$ 48,608	$ 48,608

Note:

(1) Totals may not add due to rounding.